

**Year: 2007**  
**Volume: 52**  
**Issue: 2**

**STUDIA**  
**Universitatis Babeş-Bolyai**  
**OECONOMICA**

**FINANCIAL CRISES: LESSONS FOR EUROPE**

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**Abstract.** This paper examines recent financial crisis transmission mechanisms to establish the nature of crisis drivers and to draw some lessons from past experience. After reviewing the economic concepts underpinning crises, a number of historical case study crises are analysed, focusing thereafter on the current Subprime Mortgage Financial Crisis. The paper generalises fundamental causes of financial crises over the last century, such as the greater complexity of the global financial environment, increasingly rapid and widespread contagion, poor monetary governance structures, the lax lending and investment behaviour of banks, and the financial naiveté of investors and borrowers. Lessons for European economic agents include the necessity for governments to maintain open, transparent and flexible monetary relations, the imperative for proactive international central banking, the need for a review of the banking business model, and the importance of investor education.

**JEL Classification:** E58, G15, O16

**Keywords:** financial crises, subprime mortgages, contagion, central banks

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